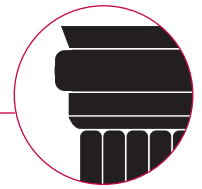


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## LIFE AND ACCIDENT INSURANCE PLANS

As part of its benefits program, the Federal Reserve offers insurance coverages which provide financial protection for you and your family in the event of an accident or death. They include:

- Life and Survivor Income Insurance (LSII);
- Group Universal Life (GUL) Insurance (not available to employees of the Board of Governors);
- Business Travel Accident Insurance; and
- Personal Accident Insurance (PAI).

This section contains detailed descriptions of each life and accident insurance plan provided by the Federal Reserve. Please be sure to read this entire section since each plan offers unique coverages. Some of these plans are provided to all eligible employees automatically and are completely paid for by your Employer. Others are voluntary benefits for which you must enroll and for which you pay the entire cost. Also, some insurance plans provide coverage only for you, while others are available for you and your covered dependents.

## ANNUAL SALARY

Your annual salary determines the amount of coverage for which you are eligible. For purposes of most of the life and accident insurance plans, *annual salary* is your base yearly salary (rounded up to the next \$1,000 if not an even multiple of \$1,000). This includes any shift differential regularly paid to you, as well as any salary deferred under an employer's plan as permitted by Section 401(k), Section 125, and Section 132 of the Internal Revenue Code. Other forms of deferred compensation, as well as overtime pay, bonuses, awards, and other extra compensation, are excluded.

# LIFE AND SURVIVOR INCOME INSURANCE

Your Life and Survivor Income Insurance (LSII) Plan provides your family with financial protection if you die while employed by the Federal Reserve. It also provides a death benefit for eligible retirees.

Coverage is provided to you automatically as soon as you begin working at the Federal Reserve.

## WHO IS ELIGIBLE

For eligibility information, refer to the **INTRODUCTION** section. Employees covered under the Board Benefit Structure are *not* eligible to participate in the LSII Plan, but have survivor benefits through their Retirement Plan.

## HOW THE PLAN WORKS

The LSII Plan consists of two parts:

- The Life and Survivor Income (LSI) Plan — insured and administered by Connecticut General Life Insurance Company; and
- The Supplemental Survivor Income (SSI) Plan — self-insured and administered by the Federal Reserve’s Office of Employee Benefits.

## HOW BENEFITS ARE PAID

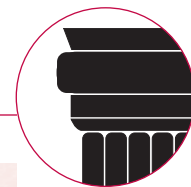
LSII benefits are paid in one of two ways — either as a lump sum benefit or as a monthly survivor benefit, from one or both parts of the Plan, as follows:

THE LIFE AND SURVIVOR INCOME (LSI) PLAN PAYS:	THE SUPPLEMENTAL SURVIVOR INCOME (SSI) PLAN PAYS:
<ul style="list-style-type: none"><li>• All lump sum benefits; and</li><li>• Survivor income benefits, up to \$50,000.</li></ul>	<ul style="list-style-type: none"><li>• Survivor income benefits over \$50,000.</li></ul>

All lump sum benefits are tax-free. However, coverage in excess of \$50,000 is considered imputed income to you each year and is taxable. A portion of the LSI survivor benefit is excluded from taxation. SSI benefits are taxable to your survivors.

You may choose the type of benefit the LSII Plan pays. Your length of service and whether you have an eligible survivor may also be used to determine the type of benefit paid by the Plan. Refer to the chart on the next page.





IF YOU...	THEN...	WILL BE PAID TO...
<ul style="list-style-type: none"> <li>• have participated in the Plan for less than one year; or</li> <li>• do not have an eligible survivor</li> </ul>	the lump sum death benefit	your designated beneficiary
<ul style="list-style-type: none"> <li>• worked for the Federal Reserve for more than one year;</li> <li>• have an eligible survivor; and</li> <li>• have not elected to have your death benefit paid as a lump sum</li> </ul>	the monthly survivor income benefit	your eligible survivors in the following order: <ul style="list-style-type: none"> <li>• Class A survivor;</li> <li>• Class B survivor(s); and then</li> <li>• Class C survivor(s)</li> </ul>

Eligible survivors are paid according to their family member classification, as shown below:

SURVIVOR CLASSIFICATION:	INCLUDES:
CLASS A	Your spouse, if married to you for at least one year before your death. If you have been married for less than one year, your spouse will be considered an eligible survivor if he/she is the parent of your child or is pregnant at the time of your death.
CLASS B	Your child(ren) if under age 21 (or older and incapable of self-support due to a mental or physical handicap that began before age 21). "Child" includes your legally adopted child, and any other child living with you in a normal parent-child relationship at the time of your death and who was dependent on you or your spouse for support.
CLASS C	Your parent(s) for whom you provided more than half of their support during the calendar year before the year in which you died.

The chart below provides detailed information on survivor income benefit payments, payable from both LSI and SSI.

IF...	THEN...
you are married to an eligible spouse when you die	your eligible spouse (Class A survivor) will receive lifetime monthly benefits, unless he or she remarries before age 60
your eligible spouse remarries before age 60 or dies	benefits will be paid to your eligible child(ren) (Class B survivors), if any, until each child reaches age 21 (or for life if the child is mentally or physically handicapped and incapable of self-support)
you do not have an eligible child	benefits will be paid to your eligible parent(s) (Class C survivors), if any, for their lifetimes

If the guaranteed amount has not been paid when your last survivor is no longer eligible, your designated beneficiary will receive a lump sum benefit equal to the remainder of the guaranteed amount. The guaranteed amount is equal to the lump sum benefit that would have been paid had the employee not been eligible for survivor benefits. If you have no designated beneficiary, the lump sum will be paid to the last eligible survivor(s) or to the estate of the last eligible survivor(s).

If there is no eligible survivor or survivor benefits are not payable for other reasons, the Plan pays a lump sum death benefit to your designated beneficiary(ies). Your beneficiary does not have to be a family member. If you haven't designated a beneficiary, the lump sum will be paid to your surviving relatives or to your estate.

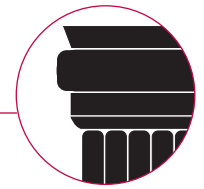
You cannot change the order in which the survivor benefit is paid; however, you may eliminate specific individuals as eligible survivors. Refer to the *Special Elections* heading next.

### *Special Elections*

The Plan allows you to make two special elections. You may choose to:

- Exclude a Class A, B, or C survivor living at the time of your death as an eligible survivor by completing the LS2 Form, which is available from your Human Resources Department; and
- Have the survivor income benefit paid as a lump sum benefit rather than a monthly benefit by excluding all eligible survivors by name in Section 4 of the LS2 Form available from your Human Resources Department.

You must also name a beneficiary(ies) in Section 2 of the LS2 Form to receive the lump sum benefit. You may change either election at any time.



## LUMP SUM BENEFITS

Your designated beneficiary will receive a lump sum benefit equal to your annual salary (rounded up to the next \$1,000 if not an even multiple of \$1,000) if you die while employed by the Federal Reserve and:

- You have participated in the Plan for less than one year;
- You do not have an eligible survivor; or
- You have an eligible survivor, but elected not to have survivor income coverage under the LSII Plan.

Your beneficiary may choose to have the value of the lump sum benefit paid in monthly installments over a period of one to 20 years. For more information about this optional payment method, please contact your Human Resources Department.

### *Post-Retirement Death Benefit*

If you retire at age 65 or older with five or more years of service (or at an earlier age if your age plus service equals 80 years or more), your designated beneficiary will receive a lump sum benefit of \$5,000 at your death. If you don't qualify for the post-retirement insurance or need a greater benefit amount, contact your Human Resources Department for information about the Retirement Plan's lump sum death benefit pension option.

## SURVIVOR INCOME BENEFITS

The Plan will pay a monthly survivor income benefit to your eligible survivor(s) if:

- You have worked for the Federal Reserve for more than one year;
- You have an eligible survivor; and
- You have not chosen to have your LSII Plan benefit paid as a lump sum benefit as described earlier under the heading *Special Elections*.

The monthly survivor income benefit payable under the Plan equals 40 percent of your monthly salary *minus* 50 percent of the monthly survivorship benefit payable to your survivors from Social Security (Family Social Security benefits). This benefit is payable whether or not Social Security benefits are actually paid or are reduced by other covered earnings.

However, the Social Security reduction will not be more than 50 percent of the Social Security Primary Insurance Amount (PIA) benefit on which the Family Social Security benefits are based. The PIA is a figure used to calculate how much Social Security you would receive upon reaching Social Security retirement age. It is based on your wages, compensation, self-employment income, and military wage credits since 1950.

The minimum monthly survivor income benefit is \$50.

*Benefit Calculation Example*

Suppose a Plan participant with an annual salary of \$30,000 (\$2,500 a month) dies at age 28 and is survived by his 25-year-old spouse and a two-year-old child. Also assume that the Social Security Primary Insurance Amount (PIA) is \$942 a month, and that the spouse and child would each be eligible for Family Social Security benefits of \$707 a month (\$1,414 total monthly benefit).

The monthly survivor income benefit payable from the LSII Plan would be calculated as follows:

<b>STEP 1:</b> Calculate 40 percent of \$2,500 (monthly salary)	\$1,000
<b>STEP 2:</b> Subtract 50 percent of \$942 (PIA)*	<u>- 471</u>
<b>STEP 3:</b> Answer is the spouse's survivor income benefit	\$ 529

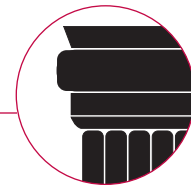
\* The maximum Social Security reduction of 50 percent of the PIA (50 percent of \$942 = \$471) would be used in this case because the Family Social Security benefits payable to the spouse and child total \$1,414 (50 percent of \$1,414 = \$707), which is greater than the maximum reduction.

The Plan participant's family would receive the following total monthly income after the participant's death:

Plan survivor income benefit payable to spouse	\$ 529
<b>plus</b>	
Family Social Security benefit payable to spouse	+ 707
<b>plus</b>	
Family Social Security benefit payable to child	<u>+ 707</u>
<b>equals</b>	
Total monthly benefits	\$1,943

Based on this example, your spouse's Social Security survivor benefit may be reduced and could be eliminated entirely if he/she works. However, the child would still receive his/her Social Security survivor benefits.





## YOUR BENEFICIARY

Your survivor income benefit must be paid to your Class A, B, or C eligible survivors. However, you need to designate a beneficiary for the:

- Lump sum benefit which will be paid if no survivor benefit is payable; and
- Unpaid portion of the guaranteed amount of the survivor benefit remaining after the death of your last eligible survivor.

You may change your beneficiary at any time by completing the beneficiary designation section of the LS2 Form. If you designate more than one beneficiary, the benefit amount will be divided equally among your beneficiaries — unless you indicate otherwise.

If your beneficiary dies before you, you should name a new beneficiary. If you die and have not designated a beneficiary, any:

- Lump sum benefit will automatically be paid to your surviving relatives (spouse, children, parents, or siblings) or your estate; and
- Guaranteed remaining amount of the survivor income benefit will automatically be paid to your last eligible survivor or his/her estate.

## COVERAGE COST

Your Employer pays the entire cost of your LSII coverage. However, you need to pay taxes on any imputed income, as required by the Internal Revenue Code. *Imputed income* is the amount of extra income on which you must pay taxes. It is based on the value of the life insurance premiums your Employer pays for your coverage over \$50,000. Since your lump sum benefit coverage amount may be more than \$50,000, you must pay taxes on the imputed income generated by the cost of your coverage for amounts over \$50,000. You may want to consult with your tax advisor about the tax implications of imputed income.

There is no imputed income for:

- Lump sum benefit coverage amounts of \$50,000 or less; or
- Survivor income benefit coverage.

## WHEN COVERAGE ENDS

Your LSII coverage ends on the earliest of the following:

- The day you're no longer eligible to participate;
- The day you stop working for the Federal Reserve; or
- The day the Plan ends.

## CONTINUING YOUR COVERAGE

Your coverage will continue under certain circumstances, as shown in the chart below.

IF...	THEN...
your employment terminates due to total disability before you reach age 65	your LSII coverage will continue as long as you are receiving benefits under the Long Term Disability Income Plan
you are temporarily laid off or are on an approved leave of absence	your LSII coverage may be continued for a limited period

## CONVERTING YOUR COVERAGE

Within 31 days after your LSII Plan coverage terminates, you may convert all or part of the value of the following to an individual insurance policy:

- Your insured survivor income benefit, up to a maximum of \$50,000; or
- Your insured lump sum benefit, up to the amount for which you were covered immediately before the coverage ended.

The amount of insurance converted to an individual policy may be reduced by the \$2,500 post-retirement death benefit, if applicable.

You will not have to provide proof of good health or have a medical exam when you convert your coverage within the 31-day period. Your individual policy will become effective at the end of that period.

The cost of your individual coverage will be based on Connecticut General Life Insurance Company's regular premium rates for the type and amount of insurance you convert.

If you die within the 31-day period, the amount of insurance you were entitled to convert will be paid to the person(s) who would have received Plan benefits on the last day your group coverage was in effect — whether or not you had applied for individual coverage.

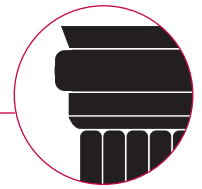
Contact your Human Resources Department for more information on converting your coverage.

## FILING CLAIMS

For information on filing claims, please contact your Human Resources Department.

## FOR MORE INFORMATION

Refer to the **PLAN ADMINISTRATION** section for other important information about your Life and Survivor Income Insurance Plan.



## BUSINESS TRAVEL ACCIDENT INSURANCE

Your Business Travel Accident coverage provides additional protection from accidents that may occur while you travel on Federal Reserve business anywhere in the world, including sojourning. Sojourning means taking a side trip for personal reasons during a business trip. For example, if you are on a two-day business trip to Washington, D.C. and you take a side trip the first night to Baltimore to see a baseball game, you will be covered by the Plan during your side trip, even though it is for personal reasons. You are protected from the time you leave your home or place of work (whichever is later) until you return home or to work (whichever is earlier).

Business Travel Accident coverage is provided to you automatically as soon as you begin working at the Federal Reserve.

### WHO IS ELIGIBLE

For eligibility information, refer to the **INTRODUCTION** section.

### COVERED ACCIDENTS

The Plan pays benefits for certain injuries resulting from accidents while traveling on Federal Reserve business:

- In any land or water vehicle; or
- While riding as a passenger in a previously tried, tested, and approved civilian or military aircraft.

A covered *civilian aircraft* is one which has a certificate of airworthiness and is piloted by a person with a current pilot's certificate with the proper ratings.

A covered *military aircraft* is a transport aircraft operated by the Military Airlift Command of the United States of America.

### BENEFIT AMOUNT

Your benefit amount equals three times your annual salary, up to a maximum principal sum of \$500,000. The *principal sum* is the full amount of your coverage.

*For Accidental Death Or Dismemberment*

Business Travel Accident benefits will be paid for any of the following losses as a result of, and within 365 days after, a covered accident:

FOR LOSS OF:	THE PLAN PAYS:
• Life	The principal sum
<ul style="list-style-type: none"> <li>• Both hands or both feet or sight of both eyes;</li> <li>• One hand and one foot;</li> <li>• One hand or one foot and sight of one eye; or</li> <li>• Speech and hearing.</li> </ul>	The principal sum
<ul style="list-style-type: none"> <li>• One hand or one foot or sight of one eye; or</li> <li>• Speech or hearing.</li> </ul>	50 percent of the principal sum
• Thumb and index finger of the same hand	25 percent of the principal sum
<p>If more than one employee is injured in a covered aircraft accident, the maximum combined benefit for all employees is \$5,000,000. If the total benefits due to all covered employees traveling together is more than \$5,000,000, the maximum benefit will be divided among all employees entitled to receive benefits, in proportion to their individual loss.</p>	

*For Permanent Total Disability*

If you become permanently and totally disabled as a result of a covered accident, you will be eligible to receive benefits. The Plan will pay you the difference between the principal sum and any benefit you may have received under this Plan for a loss resulting from the same accident.

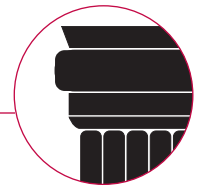
For example, if you previously received a benefit of 50 percent of the principal sum and you become permanently and totally disabled as a result of the same covered accident, you'll receive an additional benefit of 50 percent.

To receive this benefit, the disability must:

- Be permanent and total;
- Begin within 365 days after the date of the covered accident; and
- Continue for at least 12 months.

To be considered permanently and totally disabled, your disability must prevent you from doing any job (for compensation or profit) for which you are qualified, based on your training, education, or experience.





## WHAT IS NOT COVERED

Business Travel Accident coverage does not apply to accidents resulting from:

- Commuting to and from work;
- Suicide;
- Disease or infection (except as provided in the policy);
- Military service;
- Flying as a pilot or crew of any aircraft; and
- Flying in any aircraft other than a covered civilian aircraft or covered military aircraft being used for passenger transportation (as described earlier) during business travel.

## YOUR BENEFICIARY

Any benefits that the Plan pays in case of death from a covered accident will be paid to the beneficiary you designated under the Retirement Plan. If you did not designate a beneficiary under the Retirement Plan, benefits will be paid to your surviving relatives (spouse, children, parents, or siblings) or your estate.

## COVERAGE COST

Your Employer pays the entire cost of your Business Travel Accident coverage.

## WHEN COVERAGE ENDS

Your Business Travel Accident coverage ends on the earliest of the following:

- The day you're no longer eligible to participate; or
- The day the Plan ends.

## FILING CLAIMS

For information on filing claims, please contact Seabury & Smith at the following address:

Seabury & Smith  
500 West Monroe Street  
Chicago, IL 60661

## FOR MORE INFORMATION

Refer to the **PLAN ADMINISTRATION** section for other important information about your Business Travel Accident Plan.

## PERSONAL ACCIDENT INSURANCE

Your Personal Accident Insurance (PAI) Plan offers additional benefits in the event of dismemberment, permanent total disability, or death as a direct result of an accident. With this Plan, you receive 24-hour coverage for accidents occurring on or off the job, anywhere in the world, on business or pleasure. You can use the Plan benefits to pay monthly bills or help with rehabilitation costs.

PAI coverage is a voluntary benefit, which allows you to cover yourself and your family. The Plan is underwritten by Hartford Life Insurance Company, and administered by Marsh @WorkSolutions.

### WHO IS ELIGIBLE

For eligibility information, refer to the **INTRODUCTION** section.

### ENROLLING IN THE PLAN

If you want PAI coverage, you must enroll in the Plan. Coverage is effective the first day of the month in which the first payroll deduction is made.

### HOW THE PLAN WORKS

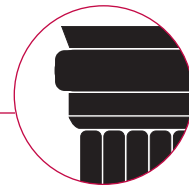
You may choose between four coverage levels:

- Employee coverage;
- Employee + spouse coverage;
- Employee + children coverage; and
- Family (employee + spouse + children) coverage.

#### *Individual Coverage*

For individual coverage, you may choose the amount you want — from a minimum of \$10,000 up to a maximum of \$500,000 (in multiples of \$5,000). You are limited to the smaller of two amounts:

- 15 times your annual salary (rounded up to the next highest \$5,000) when you enroll; or
- The maximum coverage amount (\$500,000).



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### *Family Coverage*

If you choose family coverage, you may cover your spouse for an amount from \$10,000 up to a maximum of \$300,000 (in multiples of \$5,000). Your spouse's coverage is limited to the smaller of two amounts:

- Your coverage amount; or
- The maximum spouse coverage amount (\$300,000).

You may cover each of your dependent children for an amount from \$10,000 up to a maximum of \$100,000 (in multiples of \$5,000). Coverage for your dependent child is limited to the smaller of two amounts:

- Your coverage amount; or
- The maximum dependent child coverage amount (\$100,000).

Your dependent children include:

- Your unmarried children from birth; and
- Your stepchildren, foster children, or adopted children from the time they were placed in your home.

They must be:

- Under age 22 (or age 27, if attending an accredited college or university as full-time students); and
- Primarily dependent on you for support and maintenance.

A dependent unmarried child who is not capable of self-support because of a mental or physical handicap may be covered under this Plan up to any age. However, you must submit proof of the child's incapacity to the Plan insurer within 31 days before the child reaches age 22 (or age 27, if attending an accredited college or university as a full-time student) and at reasonable intervals thereafter, at the insurer's request.

### *Reduced Benefits*

Your Personal Accident Insurance benefits will be reduced at three different times, when you reach ages 76, 80, and 85, unless you decide to pay more to maintain the same amount of coverage. Refer to the heading *For Employees And Retirees Age 76 And Older* later in this section for more information.

## BENEFIT AMOUNT

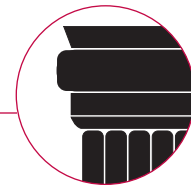
The amount you receive depends on the type of injury. Benefits will be paid for any of the following losses as a result of, and within 365 days after, a covered accident:

FOR LOSS OF:	THE PLAN PAYS:
<ul style="list-style-type: none"> <li>• Life</li> </ul>	The principal sum*
<ul style="list-style-type: none"> <li>• Both hands or both feet or sight of both eyes;</li> <li>• One hand and one foot;</li> <li>• One hand or one foot and sight of one eye;</li> <li>• Speech and hearing; or</li> <li>• Movement of both upper and lower limbs (quadriplegia).</li> </ul>	The principal sum*
<ul style="list-style-type: none"> <li>• Movement of both legs (paraplegia)</li> </ul>	75 percent of the principal sum*
<ul style="list-style-type: none"> <li>• One hand or one foot or sight of one eye;</li> <li>• Speech or hearing; or</li> <li>• Movement of upper and lower limb on one side of the body (hemiplegia).</li> </ul>	50 percent of the principal sum*
<ul style="list-style-type: none"> <li>• Thumb and index finger of the same hand; or</li> <li>• Movement of one limb (uniplegia).</li> </ul>	25 percent of the principal sum*
<p>* The principal sum is the full amount of your individual coverage.</p>	

Loss of:

- Hands and feet means actual severance through or above the wrist or ankle joints;
- Thumb and index finger means actual severance through or above the metacarpophalangeal joints;
- Sight, speech, or hearing is entire and irrecoverable; and
- Movement of limbs means complete and irreversible paralysis (the loss of use without severance).





## ADDITIONAL BENEFITS

Your Personal Accident Insurance Plan provides these additional benefits for certain situations:

- Accelerated Benefit;
- Adaptive Home and Vehicle Benefit;
- Coma Benefit;
- Common Disaster Benefit;
- Day Care Benefit;
- Dismemberment Benefit for Children;
- Extended Dependents' Coverage Benefit;
- Felonious Assault Benefit;
- Permanent Total Disability Benefit;
- Rehabilitation Benefit;
- Seat Belt Benefit;
- Therapeutic Counseling Benefit; and
- Tuition Benefits:
  - ♦ Children's Education Benefit; and
  - ♦ Spouse's Education Benefit.

### *Accelerated Benefit*

Under certain circumstances, the accelerated benefit feature allows you or your covered dependent to take part of the benefit as payment now instead of when you or your dependent dies. To receive this benefit, you or your covered dependent must:

- Be terminally injured (with a life expectancy of six months or less) as a result of a covered accident; and
- Request, in writing, that the principal sum under the accidental death and dismemberment portion of the Plan be paid as an accelerated benefit.

If the injury qualifies for the accelerated benefit, you or your covered dependent may receive the smaller of two amounts:

- \$100,000; or
- 50% of the coverage amount payable for the loss of life under the accidental death and dismemberment portion of the Plan.

If the Plan covers more than one loss as a result of any one accident:

- The maximum accelerated benefit amount will be reduced by benefits provided under this Plan for other covered losses; and
- Benefits payable for other losses, including death, after an accelerated benefit payment has been made will be reduced by that accelerated benefit amount.

For example, if you have \$120,000 of coverage under the Plan and you're in a covered accident that leaves you terminally injured, you can request an accelerated benefit of \$60,000 (50 percent of \$120,000). This accelerated benefit will be paid to you now instead of to your beneficiary when you die. However, when you die, your beneficiary will receive the reduced amount of \$60,000 instead of \$120,000 — the principal sum (\$120,000) *minus* the accelerated benefit (\$60,000).

Please consult your personal tax adviser to determine how this benefit may affect your taxes.

### *Adaptive Home And Vehicle Benefit*

If you or a covered dependent are involved in a covered accident that results in a loss under the accidental death and dismemberment portion of the Plan, you may be eligible to receive an additional benefit. This benefit is designed to help you pay for necessary alterations to make it possible for you to live in your home and drive your car.

The benefit amount equals the smallest of three amounts:

- The actual cost of the alterations;
- 5 percent of your coverage amount; or
- \$5,000.

The Plan will pay a one-time benefit for approved alteration costs incurred within two years from the date of the accident to your (or your covered dependent's):

- Principal home; and/or
- Private car.

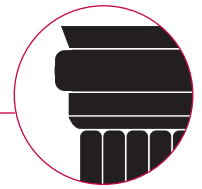
### *Coma Benefit*

If you or a covered dependent becomes comatose within 31 days of a covered accident and remains continuously comatose for at least 30 days, the Plan will pay a benefit. The monthly benefit equals 1 percent of the Comatose Maximum Benefit. The Comatose Maximum Benefit is your principal sum *minus* any benefit you have already received or will receive for the same accident. The Plan will pay a benefit for each month after the 30-day waiting period in which the covered person remains in a coma until the Comatose Maximum Benefit Amount has been reached.

### *Common Disaster Benefit*

If you and your spouse both die within 90 days of a covered accident and you have family coverage, your spouse's coverage amount will be increased. The Plan will pay a benefit for your spouse equal to the smaller of two amounts:

- Your coverage amount; or
- An amount added to your coverage amount that equals, but does not exceed, \$1,000,000.



### *Day Care Benefit*

If you elect family coverage and a covered parent dies in a covered accident, the Plan will pay an additional benefit equal to the lesser of:

- 5 percent of your coverage amount; or
- \$5,000 per year.

This benefit will be paid on behalf of any dependent child who has been enrolled in, and will be attending, a licensed day care center within 365 days of the date of death. Benefit payments will continue each year for up to four consecutive years as long as the dependent child is under age 13 and remains enrolled in a licensed day care center. To receive benefit payments, proof of your child's enrollment must be sent before the last day of the twelfth month following the date of death.

If none of your dependents qualify for the Day Care benefit after a covered parent dies in a covered accident, the Plan will pay a benefit of \$1,500.

### *Dismemberment Benefit For Children*

The Plan provides an additional benefit for covered dependent children who suffer a dismemberment or paralysis from a covered accident, if you elect family coverage. The Plan will pay two times the amount payable for the loss.

### *Extended Dependents' Coverage Benefit*

The Plan will continue to cover your spouse and eligible dependent children for an extended period of time at no cost, if you elect family coverage and subsequently die in a covered accident. The extended coverage period lasts up to 12 months from the date you died, as long as the Plan is not terminated. Coverage will end sooner for:

- Your spouse, if he or she remarries; and
- Your children, if they no longer qualify as eligible dependents.

### *Felonious Assault Benefit*

If you suffer a covered loss due to the deliberate act of another person, the Plan will pay an additional \$100,000 benefit. The benefit is payable if the assault:

- Involves your Employer's funds; and
- Occurs on your Employer's premises or while doing business for your Employer.

### *Permanent Total Disability Benefit*

If you become permanently and totally disabled as a result of a covered accident, you'll be eligible to receive benefits. The Plan will pay you the difference between the principal sum and any benefit you may have already received or will receive under this Plan for a loss resulting from the same accident.

For example, if you previously received a benefit of 50 percent of the principal sum and you become permanently and totally disabled as a result of the same covered accident, you will receive an additional benefit of 50 percent.

To receive this benefit, the disability must:

- Be permanent and total;
- Begin within 365 days after the covered accident; and
- Continue for at least 12 months.

To be considered permanently and totally disabled, your disability must prevent you from doing any job (for pay or profit) for which you are qualified, based on your training, education, or experience.

Employees age 76 and older and retirees are not eligible for disability benefits from the Personal Accident Insurance Plan.

### *Rehabilitation Benefit*

The Plan pays an additional benefit for rehabilitation expenses. If a covered person suffers a dismemberment or paralysis from a covered accident, the Plan will pay the reasonable and customary rehabilitation expenses incurred within two years of the date of the accident. The additional benefit is equal to the smallest of three amounts:

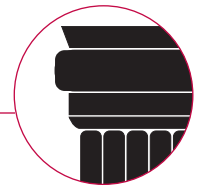
- The actual cost of the rehabilitative training;
- 10 percent of your coverage amount; or
- \$10,000 per year.

The rehabilitation benefit pays for medically necessary and rehabilitative training performed under the care, supervision, or order of a physician.

### *Seat Belt Benefit*

If you or your covered dependents are fatally injured or suffer a dismemberment in an automobile accident while wearing your seat belt or lap and shoulder harness, the Plan will pay an additional benefit. This benefit is equal to \$25,000 and is paid in addition to any other benefits you may receive under the Personal Accident Insurance Plan. The official accident report or the investigating officer must verify use of the seat belt.





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### *Therapeutic Counseling Benefit*

If you or a covered dependent are involved in a covered accident that results in a loss under the accidental death and dismemberment portion of the Plan, you may be eligible to receive a therapeutic counseling benefit. As long as you require counseling within 90 days of the loss, the Plan will pay a benefit equal to the smallest of three amounts:

- The reasonable costs of therapeutic counseling;
- 5 percent of your coverage amount; or
- \$5,000.

The therapeutic counseling costs must be incurred within one year from the date of the accident.

### *Tuition Benefits*

#### **Children's Education Benefit**

If you choose family coverage, the Plan will pay a special tuition benefit under certain conditions if you die as a result of a covered accident. The benefit will be paid on behalf of any dependent child under age 27 who is a full-time student in any institution of higher learning above grade 12. Dependent children in grade 12 who subsequently enroll as full-time students in any institution of higher learning within one year of your death will also receive this benefit.

The amount of the tuition benefit is the smaller of two amounts:

- 5 percent of your coverage amount; or
- \$5,000.

Benefit payments will continue each year for up to four consecutive years while each eligible dependent child continues as a full-time student.

#### **Spouse's Education Benefit**

The Plan also pays an additional tuition benefit to your covered spouse if you have family coverage and die as a result of a covered accident. If your surviving spouse enrolls in an occupational training program within one year of your death, he or she will receive a benefit equal to the smallest of three amounts:

- The actual cost of the occupational training program;
- 5 percent of your coverage amount; or
- \$5,000.

The expense must be incurred within two years of the date of your death.

## WHAT IS NOT COVERED

Coverage does not apply to accidents resulting from:

- Suicide, attempted suicide, or any intentionally self-inflicted injury;
- Declared or undeclared war or act of war;
- Injury sustained while serving on full-time active duty in the armed forces of any country or international authority;
- Being under the influence of drugs which require a prescription, unless taken under the advice of a physician;
- Committing or attempting to commit a felony; and
- Injury sustained while flying as a pilot or crew member of an aircraft, while riding in an unlicensed aircraft, or while riding as a passenger or otherwise in an aircraft owned and operated by the Federal Reserve.

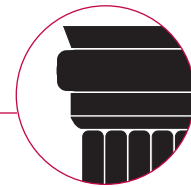
## YOUR BENEFICIARY

You must designate a beneficiary(ies) when you enroll in the Plan. You may change your beneficiary(ies) at any time by completing a new enrollment form. You are automatically the beneficiary for coverage on your covered dependents.

If your beneficiary dies before you do, you should name a new beneficiary. If you die and have not designated a beneficiary, benefits will be paid to your survivors in the following order:

1. Your spouse;
2. Your children, in equal shares;
3. Your parents, in equal shares; and
4. Your brothers and sisters, in equal shares.

If you have no survivors in these categories, benefits will be paid to your estate.



## COVERAGE COST

You pay the entire cost of your Personal Accident Insurance coverage at group rates.

### *For Employees Under Age 76*

The rates for employees under age 76 are shown in the chart below.

YOUR CATEGORY:	MONTHLY RATE PER \$5,000 OF COVERAGE:
Employee	\$ .10
Spouse	.11
Eligible children	.13

### *For Retirees Under Age 76*

If you retire on either an immediate or deferred basis, you may convert your coverage to an individual policy and continue paying the same rates until you reach age 76.

YOUR CATEGORY:	MONTHLY RATE PER \$5,000 OF COVERAGE:
Retiree	\$ .10
Spouse	.11
Eligible children	.13

***For Employees And Retirees Age 76 And Older***

When you reach age 76, you must make a decision to continue your coverage at the same level and pay more for the coverage *or* pay the same amount for a reduced amount of coverage.

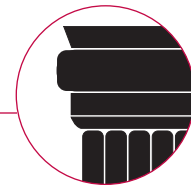
If you want to continue your coverage at the same level, you will pay the following rates:

YOUR AGE:	MONTHLY RATE PER \$10,000 OF COVERAGE FOR EMPLOYEE/RETIREE/SPOUSE:	MONTHLY RATE PER \$10,000 OF COVERAGE FOR EMPLOYEE/RETIREE AND CHILDREN:
76 - 79	\$ .52	\$ .72
80 - 84	.83	1.03
85 and older	1.67	1.87

For example, if you are a 78-year-old retiree with a spouse and two children, you would pay \$ .52 for coverage for your spouse, plus \$ .72 for coverage for yourself and your children. Therefore, your total monthly cost for each \$10,000 of coverage for yourself, your spouse, **and** your children would be \$1.24.

If you want to continue paying the same cost, your coverage amount will be reduced. Your spouse and child coverage will also be reduced automatically to the percentages shown in the following chart.

YOUR AGE:	PERCENTAGE OF COVERAGE AMOUNT:
76 - 79	55 percent
80 - 84	35 percent
85 and older	20 percent



## WHEN COVERAGE ENDS

Your coverage ends on the earliest of the following:

- The day you stop working for the Federal Reserve (unless you continue or convert your coverage);
- When you stop making the required payments; or
- The day the Plan ends.

Your dependents' coverage ends at the same time as your coverage or when they're no longer eligible to participate, whichever comes first.

## CONTINUING YOUR COVERAGE

When you retire from the Federal Reserve, you may continue your Personal Accident Insurance coverage as long as you do so within 90 days of your retirement date. You may keep the same coverage amount or decrease it, but you can't increase your coverage amount.

If you retire from a participating Employer on an immediate or deferred basis, the premium you pay for the continued coverage will be the same as the group rate specified in the contract.

## CONVERTING YOUR COVERAGE

You may convert your and your dependents' coverage to an individual policy within 31 days after coverage ends. You may convert your coverage amount to:

- At least \$25,000 and no more than \$250,000 (rounded to the nearer \$1,000), if you are under age 70;
- \$25,000, if you are age 70 or older, but under age 75; and
- \$12,500, if you are age 75 or older.

For more information about converting your coverage and to request the forms to do so, please contact your Human Resources Department.

## FILING CLAIMS

To file a claim for benefits under the Personal Accident Insurance Plan, you must notify Marsh @WorkSolutions at 1-800-525-0517 within 30 days after the covered loss. If you cannot give notice within 30 days, you must do so as soon as reasonably possible. The insurance company will send you the appropriate claim form within 15 days of receiving your notice. Complete the claim form and return it to the insurance company within 90 days.

## FOR MORE INFORMATION

Refer to the **PLAN ADMINISTRATION** section for other important information about your Personal Accident Insurance Plan.



## BOARD LIFE INSURANCE PLANS

As part of its benefits program, the Board offers term life insurance coverages, which provide financial protection for you and your family. As a Board employee, you are eligible to elect life insurance coverage in one or both of the following plans:

- Board Employees' Group Life Insurance (Begli) Plan; and
- Federal Employees' Group Life Insurance (Fegli) Plan.

This section contains a detailed description of the Begli Plan. It includes all the optional coverages available to you after you enroll in the Basic portion of the Plan. If you need information on the Fegli Plan, please contact a Benefits Counselor.

## BOARD EMPLOYEES' GROUP LIFE INSURANCE PLAN

The Board's Plan gives you the flexibility to choose life insurance protection to meet your individual needs. The Plan offers a Basic coverage level, which includes Accidental Death and Dismemberment (AD&D) insurance. If you choose Basic coverage, you may also enroll in any of the three optional coverages.

Begli is insured and administered by the Metropolitan Life Insurance Company (MetLife).

### WHO IS ELIGIBLE

You are eligible to enroll in the Plan if you are:

- A full-time regular employee; or
- Any other type of employee, as long as your appointment is for more than one year and consists of a pre-arranged, regular schedule.

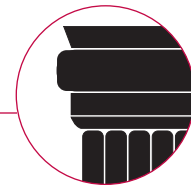
If you enroll in Option 3 of the Plan, which provides life insurance coverage for your dependents, your eligible dependents include:

- Your spouse;
- Your unmarried dependent children over 14 days old and under age 22; and
- Your unmarried dependent children of any age if they became physically or mentally handicapped before age 22 and are incapable of earning a living. (You must submit proof of your child's continued incapacity within 31 days of the date coverage would otherwise end.)

Dependent children include your natural children, adopted children, foster children, or stepchildren who live with you and depend on you for financial support, or a child for whom benefits must be provided by court order (you must notify MetLife in this case). The Plan excludes dependents who:

- Are in the military of any country; or
- Live outside the United States or Canada.

Contact a Benefits Counselor in the Management Division, Benefits Section for additional information on dependent eligibility.



## ENROLLING IN THE PLAN

The chart below provides information on how to enroll in the Plan and the effective date of your coverage.

IF YOU ENROLL...	THEN YOUR COVERAGE IS EFFECTIVE...
within 31 calendar days of your hire date (your initial eligibility period)	the day you enroll, as long as you are in a pay and duty status on that day
after your initial eligibility period	the day that the application is approved by MetLife (you may have to provide proof of good health, at your own expense, when you apply)

**Please Note:** You must enroll in the Basic portion of the Plan before you can enroll in any of the optional coverages. When you enroll for optional coverage, proof of good health may be required if you were hospitalized in the three months prior to the date you request optional insurance.

## HOW THE PLAN WORKS

The Plan is made up of several types of coverage, as described below.

### *Basic Life Insurance*

If you enroll in the Basic portion of the Plan, you'll have life insurance coverage equal to your annual basic pay (rounded to the next higher \$1,000), *plus* \$2,000. For purposes of this Plan, *basic pay* means your regular annual pay rate, excluding any bonuses, overtime pay, and other extra compensation.

### *Accidental Death And Dismemberment Insurance*

When you enroll in the Basic portion of the Plan, you automatically receive the same amount of Accidental Death and Dismemberment (AD&D) insurance coverage. An AD&D benefit is payable if you die or lose a limb or your eyesight as a result of an accident.

The following chart shows how benefits are paid for AD&D coverage.

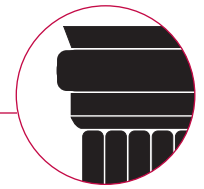
FOR LOSS OF...	THE PLAN PAYS...	TO...
life	the full benefit amount* (in addition to your Life Insurance benefit)	your beneficiary(ies)
more than one limb or the sight in both eyes, or a combination of two or more losses	the full benefit amount*	you
a limb or sight in one eye	50 percent of the benefit amount*	you
* The benefit amount is equal to your Basic Life Insurance coverage.		

An additional amount will be paid for loss of your life that results from injuries sustained while driving or riding in a private car if your seat belt was properly fastened. Under these circumstances, your beneficiary will receive the smaller of the following two amounts:

- \$25,000; or
- 10 percent of the AD&D coverage.

Benefits will be paid if the loss occurs and proof of the claim is provided within 90 days of a covered accident. AD&D insurance does *not* cover losses resulting from:

- War or any acts of war;
- Intentional self-inflicted injury;
- Suicide or attempted suicide;
- Bodily or mental infirmity;
- Disease, a bacterial infection other than a pyogenic infection of an accidental cut or wound, or ptomaines;
- The use of any drug or medicine;
- Driving a vehicle while intoxicated;
- Serving in the armed forces of any country or international authority except the U.S. National Guard;
- Commission of, or the attempt to commit, a felony; and
- Travel or flight in an aircraft, except while riding as a passenger in a licensed aircraft operated by a licensed pilot for a licensed carrier over a regular passenger route and while riding as a passenger in a licensed aircraft operated by a licensed pilot chartered by the Board for business purposes.



## COVERAGE COST

You pay two-thirds of the total cost of your Basic Life and AD&D coverage through payroll deduction. The Board pays the remaining one-third. Each \$1,000 of Basic Life Insurance coverage costs you \$.056 biweekly — the Board pays \$.028 per \$1,000 biweekly on your behalf.

If you are also enrolled in the Federal Employees' Group Life Insurance (FEGLI) Plan, you pay the full cost — \$.084 per \$1,000 biweekly — for the Board's Plan. The Board will contribute one-third of your coverage cost for FEGLI.

Since your Basic Life Insurance equals your annual basic pay *plus* \$2,000, when your basic pay changes, the amount of your life insurance also changes. Your new amount of Basic Life Insurance, and the corresponding revised biweekly cost become effective at the beginning of the pay period in which your pay increases.

The current rates are guaranteed until December 2002.

### *Additional Basic Life Insurance*

If you are under age 45, you're covered by additional Basic Life Insurance at no extra cost to you. This additional benefit does not apply to your AD&D insurance. The amount of additional Basic Life Insurance depends on your age.

To determine the total amount of Basic Life Insurance you would receive, including this additional Basic Life amount, multiply your Basic Life coverage amount by the age multiplier from the chart below.

YOUR AGE WHEN YOU DIE	AGE MULTIPLIER	YOUR AGE WHEN YOU DIE	AGE MULTIPLIER
35 or under	2.0	41	1.4
36	1.9	42	1.3
37	1.8	43	1.2
38	1.7	44	1.1
39	1.6	45 or older	1.0
40	1.5		

### Option 1 Coverage

Option 1 provides an additional \$10,000 of life insurance and an additional \$10,000 of AD&D coverage. You must be enrolled in Basic Life Insurance coverage before you can enroll in this option.

You pay the full cost of this optional coverage. Premiums depend on your age, as shown in the chart below.

IF YOU ARE...	THEN YOUR BIWEEKLY COST IS...	IF YOU ARE...	THEN YOUR BIWEEKLY COST IS...
under age 35	\$ .52	55 – 59	\$ 2.62
35 – 39	.62	60 – 64	3.52
40 – 44	.62	65 – 69	6.02
45 – 49	1.12	70 or older	9.72
50 – 54	1.72		

**Please Note:** For insurance withholding purposes, you are designated as reaching these ages in January of the year following your actual birthday.

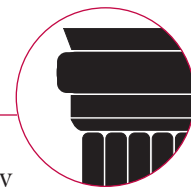
### Option 2 Coverage

The amount of life insurance you receive under Option 2 depends on your actual pay rate *and* the multiple of pay you elect. You may elect from one to five times your annual basic pay (after rounding to the next higher \$1,000). You must be enrolled in Basic Life Insurance coverage before you can enroll in this option.

The chart below provides information about enrolling in Option 2.

IF YOU...	THEN YOU MAY...	AND...
enroll when you are first eligible	elect from one to five times your annual basic pay	your coverage becomes effective on the date you enroll, as long as you are at work
do not enroll when you are first eligible	enroll in the future only if you add new family members (spouse or children)*	your coverage becomes effective on the date you enroll, as long as you enroll within 60 days of the event and are at work on the effective date
choose less than five multiples initially	increase your coverage when you add new family members (spouse or children)*	your coverage becomes effective on the date you enroll, as long as you enroll within 60 days of the event and are at work on the effective date
* To enroll or increase your coverage at any other time, you will need to submit proof of good health for insurance company approval.		





If you enroll or increase your coverage due to a family status change after the initial eligibility period, you may only select a multiple of your pay up to the number of eligible family members you have. For example, if you marry, you may elect one multiple, or if you have twins, you may elect two multiples.

You pay the full cost of Option 2 coverage. Premiums depend on your age and the amount of coverage you elect, as shown in the chart below.

If YOU ARE...	THEN YOUR BIWEEKLY COST PER \$1,000 OF COVERAGE IS...	If YOU ARE...	THEN YOUR BIWEEKLY COST PER \$1,000 OF COVERAGE IS...
under age 35	\$ .04	55 – 59	\$ .25
35 – 39	.05	60 – 64	.34
40 – 44	.05	65 – 69	.59
45 – 49	.10	70 or older	.96
50 – 54	.16		

*Please Note:* For insurance withholding purposes, you are designated as reaching these ages in January of the year following your actual birthday.

### *Option 3 Coverage*

Under Option 3, you receive \$10,000 of life insurance coverage for your spouse and \$5,000 of coverage for each eligible child. (See the heading *Who Is Eligible* for a definition of eligible dependents.) You must be enrolled in Basic Life Insurance coverage before you can enroll in this option.

You can enroll for Option 3 within 31 days of employment, or within 60 days of marriage or the addition of a child. At any other time, you'll need to submit your dependents' proof of good health for insurance company approval before you can enroll in this option. Proof of good health may also be required for any dependent who has been hospitalized in the three months prior to the date you request optional insurance.

You pay the full cost of Option 3 coverage. Premiums depend on your age, as shown in the chart below.

IF YOU ARE...	THEN YOUR BIWEEKLY COST PER \$1,000 OF COVERAGE IS...	IF YOU ARE...	THEN YOUR BIWEEKLY COST PER \$1,000 OF COVERAGE IS...
under age 35	\$ .60	55 – 59	\$ 1.70
35 – 39	.64	60 – 64	2.65
40 – 44	.75	65 – 69	2.65
45 – 49	.94	70 or older	2.65
50 – 54	1.20		

*Please Note:* For insurance withholding purposes, you are designated as reaching these ages in January of the year following your actual birthday.

## MAXIMUM BENEFIT AMOUNT

The total amount of your coverage under Basic Life and Options 1 and 2 cannot exceed \$1,000,000. In addition, you must provide proof of good health at your own expense for coverage amounts of more than \$600,000.

## ADDITIONAL FEATURES

The Board's Plan provides the following additional features that can help you or your dependents meet financial needs you may have:

- Accelerated Benefit feature; and
- Extended Coverage feature.

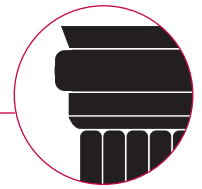
### *Accelerated Benefit Feature*

Under certain circumstances, the Accelerated Benefit feature allows you to receive part of your life insurance benefit before you die. To receive this benefit, you must provide proof that you have less than six months to live. Accelerated benefits may also be payable for a dependent spouse covered under Option 3.

In this situation, MetLife will pay the smaller of the following two amounts (*minus* certain discounts and administrative charges):

- 50 percent of the coverage amount; or
- \$250,000.

Contact a Benefits Counselor for more information about this feature.



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### *Extended Coverage Feature*

If you or a covered dependent dies during the 31 days after your coverage ends, you or your beneficiary will receive a death benefit from the Plan. This benefit is equal to the amount of life insurance (excluding AD&D) in effect before coverage ended.

### **YOUR BENEFICIARY**

When you enroll in the Plan, you need to choose your beneficiary(ies) and complete a Beneficiary Designation Form. Your beneficiary will receive your Life Insurance benefit if you die. You may change your beneficiary(ies) at any time by completing another beneficiary form, available from a Benefits Counselor in the Management Division, Benefits Section. You are the beneficiary for coverage on your covered dependents, unless you designate someone else.

If your beneficiary dies before you do, you should name a new beneficiary. If you die and haven't designated a beneficiary, benefits will be paid to your survivors in the following order:

1. Your surviving spouse;
2. Your surviving children;
3. Your parents;
4. The executor of your estate; and
5. Your next of kin.

Life benefits may be assigned if certain conditions are met. Please contact a Benefits Counselor for more information if you are interested in this option.

### **IMPUTED INCOME**

The value of your employer-provided Basic Life Insurance benefits in excess of \$50,000 is treated as income for tax purposes. This *imputed income* is included on your W-2 Form and, like wages and compensation, is fully taxable.

## WHEN COVERAGE ENDS

Your coverage under the Board Employees' Group Life Insurance Plan ends on the earliest of the following dates:

- The day you are no longer eligible;
- The day you stop making the required payments;
- The day you stop working for the Board (unless you are eligible to continue or convert your coverage); or
- The day the Plan or option ends.

Your dependents' coverage ends at the same time as your coverage or when they're no longer eligible to participate, whichever comes first.

If you are on an approved leave of absence without pay, your coverage will continue for up to 12 months. You will not be required to pay premiums during this period.

## CONTINUING YOUR COVERAGE

You may continue your life insurance coverage under the Basic portion of the Plan at no cost after you retire, as long as you retire on an immediate annuity and you have been enrolled in the Plan for either:

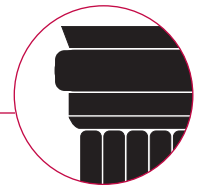
- The five years of service immediately preceding your retirement; or
- All of your years of service since you were first eligible to enroll.

The chart below shows how your age at retirement affects your benefits.

IF YOU RETIRE...	THEN...
before age 65	your Basic coverage continues until you reach age 65, then reduces to 25 percent of the face amount
after age 65	your Basic coverage immediately reduces to 25 percent of the face amount

The continuation coverage only applies to the life insurance portion of the coverage, *not* the AD&D portion.

Any coverage you have under Options 1, 2, and/or 3 ends when you retire. If you wish, you may convert this coverage to an individual policy without showing proof of good health. For more information about converting your policy, refer to the heading *Converting Your Coverage* next.



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## CONVERTING YOUR COVERAGE

When coverage ends, you (and your dependents, if you were enrolled in Option 3) may convert this group insurance to an individual life insurance policy without showing proof of good health. You have 31 days after your group coverage ends to convert to an individual policy. Contact a Benefits Counselor for conversion forms. Terms and costs of converted policies will differ from the group coverage, as determined by the insurance company.

## FILING CLAIMS

If, at any time, you or a dependent becomes eligible for benefits under the BEGLI Plan, you or your beneficiary should immediately contact the Management Division, Benefits Section. Notice of a claim for a benefit under the Accidental Death and Dismemberment insurance should be filed within 20 days of the accident.

The Management Division, Benefits Section has the appropriate forms and complete instructions for filing a claim. Claims are filed with MetLife at the following address:

MetLife Insurance Company  
P.O. Box 6115  
Utica, NY 12504-6115

## FOR MORE INFORMATION

Refer to the **PLAN ADMINISTRATION** section for other important information about the Life Insurance Plan. If you have questions about your life insurance benefits, please contact the Management Division, Benefits Section.



